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British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (New Brunswick)
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Superintendent of Securities, Nunavut

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8

c/o Anne-Marie Beaudoin,
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, Québec
H4Z 1G3

Dear Sirs

**RE: Proposed Repeal and Replacement of National Instrument 52-108 Auditor Oversight
AND Proposed Amendments to National Instrument 41-101 General Prospectus
Requirements, National Instrument 51-102 Continuous Disclosure Obligations and National
instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers**

We are pleased to provide our comments on the above proposals.

Overall, our firm is supportive of the proposals put forward in the above documents. We agree and support the effort to enhance transparency in the marketplace with the aim to enhance investor confidence.

Page 2 of the CSA Notice includes a summary of the key changes in the proposed materials from the existing standards under the heading **Summary of the proposed materials**. Our comments follow the order of the key changes listed in the CSA Notice and the descriptions of the key changes have been repeated for ease of reference.

Key change 1 - require a public accounting firm to deliver a notice to the regulator if CPAB imposes certain types of remedial actions regardless of the labels CPAB attaches to them (e.g., "sanction" or "restriction").

We are generally supportive of the change in the triggers for notice to the regulator, however we believe there needs to be clear interpretative guidance that will allow public accounting firms to readily understand when a communication requirement has been triggered.

Specifically, we are concerned with the proposed requirement in paragraph 6(1), to report **any remedial action** imposed by CPAB relating to a defect in the audit firm's quality control systems. Unlike the remedial actions that are described in paragraph 5, there are no boundaries or definitions linked to "any remedial action" that trigger a notification under paragraph 6. In this regard, we believe that the CSA should attach specific definitions or guidelines to "any remedial action" to clarify what type of remedial actions trigger the need for any notification. Alternatively, we suggest that the CSA utilize the language similar to paragraph 5(1)(b) whereby only those remedial actions relating to a defect in the participating audit firm's quality control systems for which CPAB notifies the participating audit firm in writing that it must disclose to the regulator would be captured under paragraph 6(1).

Key change 2 – require a public accounting firm to notify its reporting issuer clients if it is not in compliance with certain requirements in the Instrument.

We are supportive of increased transparency in the marketplace, however it is not clear whether the introduction of these notifications will have benefits in excess of the potential confusion in the marketplace. The fundamental concern being that the notification of any remedial action imposed, and the remedy for these impositions, may vary from time to time, and from firm to firm. Given such potential variability, in the absence of education and clear communication with the marketplace as to what these remedial actions mean, the notices may bring about unintended outcomes.

Prior to imposing notifications by audit firms to their reporting issuer clients, we suggest that the regulator further communicate with the entire marketplace as to how these new "triggers" are meant to work and what implications it is intended to have on the marketplace.

In addition, we believe that the reporting deadline of 2 days is too short to effectively allow audit firms to comply with the proposed Instrument. To allow for better compliance with the proposed Instrument and to avoid inadvertent noncompliance, we suggest that the deadline be extended to the 10 day deadline proposed in paragraph 6 of the proposed Instrument, which is also consistent with the timelines required for material change reports (Form 51-102 F5).

Finally, and as a consequence of the proposed 2 day reporting deadline we are also concerned with the proposed Instrument's process for an audit firm to cure its violation in the event relating to a firm's failure to notify the regulator of remedial actions. We believe there may be a gap in terms of remediating a violation by a firm in regards to the notice to regulator. This is best illustrated by the following example.

On December 1, 20X3, CPAB requires Firm X that they must terminate an audit engagement and Firm X terminates the audit engagement on December 2, 20X3. However, Firm X overlooks the requirement to notify the regulators (paragraph 5(3)) of this remedial action imposed by CPAB and becomes aware on December 5, 20X3 of its violation to notify regulators and submits the notice to the regulators on December 6, 20X3. Since Firm X did not deliver the notice to regulators in a timely manner as required by paragraph 5(3), Firm X then notifies all their reporting issuer clients that they are in violation of paragraph 5(3) on December 6, 20X3 as required by paragraph 3(1) of the proposed NI 52-108.

The proposed Instrument (paragraph 3(2)) states that a firm must not notify a reporting issuer that it complies with paragraph 2(c) unless it has been informed in writing by CPAB that the circumstances in paragraph 3(1) no longer apply. In the above example, Firm X is in compliance with CPAB's remedial action to terminate the audit engagement, however since Firm X was late in filing a notice to the regulators, Firm X cannot notify its clients that this situation of noncompliance has been resolved. CPAB would not be in a position to inform Firm X in writing that this violation to notify the regulators no longer applies, as it's not a remedial action that was imposed by CPAB. As such, we believe that there is a step missing in the "cure" proposed by the Instrument in such a scenario.

Other key changes:

- ***require disclosure in a prospectus, if the financial statements of the issuer included in the prospectus were audited by an auditor that, as at the date of the most recent auditor's report on financial statements included in the prospectus, was not required to be subject to, and was not subject to the oversight program of CPAB.***
- ***reduce the filing period from 30 days to 14 days for a change of auditor notice required by NI 51-102 following the termination, resignation or appointment of an auditor by a reporting issuer.***
- ***require a predecessor and a successor auditor to notify the regulator on a timely basis if a reporting issuers does not file a change of auditor notice required by the NI 51-102.***
- ***add a condition to the current exemptions in NI 71-102 relating to audited financial statements of SEC foreign issuers and designated foreign issuers to require compliance with NI 52-108. This aligns the requirements for foreign issuers with the current requirement for an auditor of a foreign issuer to comply with NI 52-108.***

We are supportive of the above four key changes.

We will be pleased to discuss any of our comments further if required.

Yours truly,

A handwritten signature in black ink, appearing to read "Frank Vettese". The signature is fluid and cursive, with a large initial "F" and a long, sweeping underline.

Frank Vettese
Managing Partner & Chief Executive
Deloitte LLP